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President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 10.20 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2003 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.28/2 and Add.1)

1. **Mr. V. C. GARCIA III** (Philippines) said that the Philippine economy had made modest progress in the year 2003, with a growth rate of 4.5 per cent for the gross domestic product (GDP). Exports had risen by 1.5 per cent, far short of the country's performance before the onset of the recent financial crisis, and there had been little change in industrial and manufacturing outputs. That situation was a result of the global slowdown in trade and investments caused by continuing political and social uncertainties in the world, but recent statistics suggested that in the first quarter of 2004 GDP would rise to 5.5 per cent, with an expected 6.3 per cent and 6.4 per cent increase respectively in exports and imports

2. It was during crucial times of economic downturn that the Philippines attached greatest importance to international development assistance to help boost economic activities. His country had benefited in 1999 from a UNIDO programme for the development of small and medium enterprises (SMEs), but UNIDO activities had since declined owing to the vacancy for a Country Representative. For that reason, his delegation particularly appreciated the new Country Service Framework (CSF) initiated by the new Country Representative in 2002 and 2003 and hoped that UNIDO would vigorously pursue its finalization and implementation, inasmuch as development assistance for Philippine industries would help expand productive activities and stimulate further economic opportunities.

3. **Mr. ARIYAPRUCHYA** (Thailand) said that his delegation supported UNIDO's key role in defining and implementing the international poverty-reduction strategies by integrating them with sustainable industrial growth in developing countries. He commended the Organization's efforts to enhance its profile as a leading international development organization.

4. He regretted the low percentage of UNIDO's technical cooperation delivery in 2003 going to Asia and the Pacific, which still needed its support in executing fruitful technical cooperation programmes. Technology transfer through technical cooperation was vital for promoting industrial development, and he urged UNIDO to improve the geographical balance of its technical cooperation.

5. **Mr. AL-LAHAM** (Syrian Arab Republic) said his delegation welcomed the *Annual Report 2003* (IDB.28/2 and Add.1) and was optimistic regarding Syria's cooperation with UNIDO, one of the important partners helping it along its path towards a market economy and better integration into the global economy through activities aimed at increasing competitive capacities. Syria had taken steps to improve the investment environment in order to capitalize on its advantages of geographical location, trained manpower and natural resources.

6. The manufacturing sector was being thoroughly overhauled in an effort to restructure the public sector, open the door to the private sector and encourage joint ventures. Cooperation between the Ministry of Industry and UNIDO was reflected in a number of projects, especially the preparation of a national strategy for the modernization and restructuring of Syrian industry, an exercise funded by the United Nations Development Programme (UNDP) that had been discussed at a special workshop held in Damascus in January 2004. Another study concerned options for reforming the industrial public sector. A programme for assistance to the food, textile, chemical and engineering industries was receiving financial assistance from the Italian Government. An international forum held in Cairo in October 2003, and attended by numerous representatives from the Arab world and regional and international organizations, had discussed the important subject of information technology and trade facilitation with a view to assisting those industries. The Italian Government was also helping to finance those activities.

7. Consultations were proceeding with UNIDO and other donors on assistance in developing an industrial investment framework and in formulating appropriate policies. His delegation hoped that cooperation between UNIDO and his country's Ministry of Industry could be intensified and that coordination between UNIDO and other international organizations could be improved.

8. He welcomed the proposals for decentralization and for field representation, as well as the agreement for a strategic alliance between UNIDO and UNDP, and supported the findings of the informal advisory group. The main purpose was to expand UNIDO activities and improve their effectiveness, through an appropriate mechanism for coordination among UNIDO's various offices and departments. He commended the devolution of greater responsibilities to the offices directly involved in field activities and hoped that, during the coming period, Syria would be enabled to implement the required industrial and economic reforms.

9. **Mr. RAMZY** (Egypt) said that his delegation had noted the extremely positive developments described in document IDB.28/2. The increase in Member States' voluntary contributions to UNIDO's technical cooperation programmes reflected the enhanced image of the Organization.

10. He welcomed the efforts to develop new service modules to meet the development needs of the developing countries. UNIDO was seeking to focus on specific needs such as industrial upgrading and restructuring. He also welcomed the new Africa Productive Capacity Initiative endorsed at the sixteenth meeting of the Conference of African Ministers of Industry, to be pursued within the framework of the New Partnership for Africa's Development (NEPAD), and the memorandum of understanding signed in 2003 between UNIDO and the World Trade Organization (WTO), which would affect international trade in a number of countries, including his own. The problems facing Egyptian exporters—including non-tariff barriers and high transport costs—had been highlighted at a recent seminar held in Cairo, at which it had been agreed that technical assistance was needed to help them increase their competitiveness. It had also been agreed that programmes should be tailored to the needs of industrial entrepreneurs, particularly in the area of training. He appealed to UNIDO to keep up its efforts in that field.

11. Egypt was very interested in enhancing its cooperation with UNIDO, and was anxious to finalize the revised arrangements for the Regional Office in Cairo. The integrated programme for Egypt needed to be developed. An agreement had been concluded on a project for modernizing selected industries in the Borg El-Arab industrial zone, in cooperation with the European Union.

12. He expressed appreciation of the work of the Regional Bureau in Vienna and the Cairo Regional Office. The Government would do its best to give the required assistance to those two offices.

13. **Mr. JAGADEESAN** (India) said that India would continue to play a key role in promoting the objectives of the Millennium Development Goals. The new Government was seeking to give economic reforms a human face and fully supported UNIDO's initiatives for poverty reduction through capacity-building and sustainable development. His Government, which regularly remitted its assessed contribution, also hoped to increase its annual voluntary contribution to the Industrial Development Fund, currently at US$ 1 million.

14. His delegation commended the Secretariat's success in raising technical cooperation delivery by 16 per cent over the previous year, and its refocusing of UNIDO intervention on low-income countries. The financial stability and efficiency that the Organization had achieved through its reform process was reflected in Member States' renewed confidence in it. The new "corporate strategy", which stressed the need for social progress through greater productivity, was noted. Innovation and technological change were the key engines of sustained industrial and economic growth, and India hoped to see a further improvement in UNIDO's programmes based on the 1997 Business Plan on the Role and Functions of UNIDO and the Strategic Guidelines "Towards improved UNIDO programme delivery".

15. He considered the evaluation being carried out with a view to improving programme delivery to be a useful exercise and welcomed the initiative for post-crisis intervention and the proposal to set up an interregional centre for development of multi-hazard resistant building materials for ensuring human security.

16. The Organization's ability to deliver cost-effective programmes in India was amply demonstrated by its projects on manufacturing technology, public-private partnership in the auto-component sector and the Global Investors' Summit. He welcomed new initiatives such as those concerned with trade facilitation for South Asian Association for Regional Cooperation (SAARC) countries. Initiatives in the areas of information and communication technology and biotechnology were needed to help SMEs increase their competitiveness in global markets. India, with its strong domain knowledge in information technology, could collaborate with UNIDO on the design and implementation of appropriate programmes for developing countries. In biotechnology, its vast scientific manpower, knowledge and world-class cost-effective research capabilities could be instrumental in enhancing biotechnology programme initiatives.

17. His Government attached importance to South-South cooperation for sustainable development, and urged the Secretariat to devise more programmes in that field. The major areas of intervention should be institutional and trade capacity-building, entrepreneurship development, skills upgrading, technology transfer, rural energy development and information technology (IT) applications. His Government was already committed to supporting a number of such activities in developing regions.

18. To accelerate development, his Government had planned a major initiative for the upgrading of industrial infrastructure and technology in selected industrial subsectors to make them globally competitive and generate sustainable development. Some 40 projects were in the pipeline, of which 25 were already being processed by the Government and interested agencies.

19. **Ms. UDVARHELYI** (Hungary) said that the *Annual Report 2003* (IDB.28/2 and Add.1) reflected the serious efforts made by the Director-General to enhance the efficiency of UNIDO. Her delegation attached particular importance to UNIDO's contribution to poverty alleviation and to sustainable development in the countries of Central and Eastern Europe (CEE), the

Newly Independent States (NIS) and South-East Europe. Hungary would continue to support UNIDO activities there and in the Western Balkans.

20. She commended UNIDO's promotion of environmentally sound technologies and its implementation of multilateral environmental agreements, and praised its development of a large number of projects relating to the Montreal Protocol on Substances that Deplete the Ozone Layer, projects which, through support costs, represented an important financial source for the Organization. She welcomed the important role played by the Protocol in UNIDO services.

21. Given the Organization's comparative advantage in the implementation of multilateral environmental agreements, she supported the elaboration of projects relating to the Stockholm Convention on Persistent Organic Pollutants (POPs) and the Kyoto Protocol to the United Nations Framework Convention on Climate Change. She welcomed UNIDO's status as an executing agency for POPs-related activities with expanded opportunities with the Global Environmental Facility (GEF). Her country financially supported the national cleaner production centres in the CEE countries, the NIS and the Western Balkans.

22. With regard to the medium-term programme framework for 2004-2007, another area in which UNIDO had comparative advantage was in the eight service modules, clustered around technology diffusion and capacity-building for market access and development. Her delegation strongly supported efforts to increase technical cooperation delivery through field restructuring and noted with interest the idea of a strategic alliance with UNDP. The informal advisory group on decentralization could facilitate dialogue on the parameters of the proposed partnership. While she believed that the alliance would contribute to enhancing the Organization's efficiency and to the reform of the United Nations system, her delegation would appreciate detailed, updated information on the proposal so that Member States could take informed decisions. In any event, duplication of the two organizations' activities was to be avoided and UNIDO's comparative advantage in several segments of sustainable industrial development preserved.

23. As a new member of the European Union, Hungary was trying to reposition itself as a UNIDO donor country and had recently elaborated a policy for international development cooperation. Its donor programme focused mainly on technical assistance, project-based development cooperation and humanitarian aid. Hungary, through its technical experts, could contribute substantially to UNIDO's technology transfer and had helped in the implementation of a regional initiative on technology foresight. Her country would continue to contribute to the fulfilment of the Organization's mission and aims.

24. **Mr. VILLEMUR** (France) commended the Organization's efforts in the direction of decentralization. UNIDO should work closely with UNDP and strengthen coordination between the agencies of the United Nations system in the field. It would be useful for cooperation between UNIDO and UNDP to be included on the agenda for the next session of the UNDP Governing Council.

25. Decentralization should take account of efficiency criteria and UNIDO priorities as set out in the Business Plan and medium-term plans, particularly with regard to the least developed countries and the African continent. The Organization would need to avoid placing too many demands upon its budgetary and human resources or incurring significant additional expenses.

26. Development indicators showed undesirable progress in the countries of the South, but the pace of development was too slow for the Millennium Development Goals to be achieved by 2015 or the marked regional disparities reduced. France was interested in the idea of a joint business plan for the various agencies responsible for sustainable economic development. Cooperation with the United Nations Conference on Trade and Development (UNCTAD), UNDP, WTO and the United Nations Environment Programme (UNEP) would strengthen the Organization's role. France also noted with satisfaction that UNIDO, like many French companies and the French Development Agency, was participating actively in the Global Compact initiative launched by the United Nations Secretary-General.

27. With regard to post-crisis rehabilitation, France had noted that UNIDO planned to assist Iraq in areas such as water, sanitation, health, infrastructure and the habitat. In due course, France would also participate in Iraq's economic and political reconstruction, following the restoration, by 30 June 2004, of Iraqi sovereignty.

28. France welcomed the closer coordination of UNIDO activities with the New Partnership for Africa's Development and the incorporation of integrated programmes and regional programmes under way in the Africa Productive Capacity Initiative. NEPAD was much more than a package of short-term recovery measures; it aimed to bring about profound structural changes and should now be the main framework for the activities of the international community in Africa.

29. France had contributed more than 6 billion euros in official development assistance in 2003 and had been the fifth largest voluntary contributor to UNIDO since the Organization had become a specialized agency. It

was spending approximately US$ 2,250,000 on bilateral cooperation projects, largely in Africa.

30. **Ms. NORIEGA URIZAR** (Observer for Guatemala) said that the *Annual Report 2003* reflected clearly and objectively the efforts being made by UNIDO and the progress achieved in developing countries through the implementation of programmes meeting the specific needs of each country. The Guatemalan delegation fully supported the decentralization initiative.

31. The positive results of the integrated programme for Guatemala, which had been the largest of its kind in the Latin American and Caribbean region, were largely due to the inclusion of certain innovative elements. The programme incorporated the "geographical regions" concept, taking into account the fact that Guatemala was a multicultural and multi-ethnic country, thanks to its rich pre-Hispanic heritage. Attention was given to the poorest and most remote areas, which had been neglected as a result of the internal armed conflict. In the Department of El Petén, for example, the population had had limited access to the technologies that would enable it to move away from the informal sector and integrate into economic activity, particularly in the areas of commerce and crafts. An office set up in El Petén was directly promoting micro-enterprises and small enterprises in areas such as food processing and wood.

32. With the support of the Ministry of Economic Affairs, construction of a National Metrology Centre had begun, scheduled for completion during the second half of 2004. Together with the regional programme on market access and trade capacity-building in Central America, it would provide invaluable support in meeting the requirements resulting from free trade agreements signed with other countries and regions and facilitating the acceptance of Guatemalan products on third markets.

33. The Guatemalan Government was giving the programme its full support. It was hoped that the second stage of the programme would be agreed on as soon as possible. Donor countries were urged to provide contributions for the integrated programmes in the developing countries.

34. **Ms. H. MOHAMMED** (Observer for Ethiopia) said that her delegation had been encouraged by the Director-General's report. The success of the Organization in many areas inspired optimism with regard to future activities.

35. Ethiopia urged UNIDO to maintain the level of technical cooperation delivery it had achieved in 2003, and appealed to Member States to redouble their efforts to help the Organization to keep up its record. Technical cooperation in the area of technology diffusion and capacity-building for market access and development was of vital importance for all developing countries. UNIDO should explore opportunities for further activities to assist developing countries in facing the challenges of the globalized world.

36. The integrated programme for Ethiopia was based on national priorities and in line with national industrial development strategies. Since the private sector was an engine for development, Ethiopia urged UNIDO to further strengthen its activities in private-sector enterprise development.

37. The delegation commended the Organization's close cooperation with other organizations to enhance the level of economic and technological development and assist the integration of developing countries into the global economy and the multilateral trade system, as well as its efforts to formulate optimal strategies for achieving the Millennium Development Goals. Ethiopia welcomed the efforts being made to modernize UNIDO and improve technical cooperation delivery. In principle, it supported the decentralization process, and believed that it would be conducive to the industrialization of the developing countries. It encouraged the Director-General to redouble his efforts to produce concrete and binding results with UNDP, without negatively affecting the independence of the Organization or benefits for recipient countries. It welcomed the establishment of the open-ended, informal advisory group. It was crucial to ensure the stable inflow of resources from different sources.

38. Biotechnology could greatly assist developing countries, particularly the least developed countries, in improving agricultural activities, provided that the implementation process gave due attention to environmental considerations. In that regard, the outcome of the recent Global Biotechnology Forum was to be welcomed, but the limited participation of African and Asian countries was regrettable, given the potential for the application of biotechnology in those regions. The full participation of developing countries in such forums was important and UNIDO should consider means of involving those countries to a greater extent.

39. The Ethiopian delegation appealed to all Member States, and particularly donor countries, to strengthen their relationship with and assistance to UNIDO in order to enable it to meet its objectives.

40. **Mr. CABAÑAS RODRIGUEZ** (Cuba) said that his delegation commended the determination and efficiency with which the Director-General had pursued the reforms that had steadily increased the Organization's international credibility. Cuba noted with satisfaction that, as indicated in the *Annual Report 2003*, greater resources had been mobilized, a number of projects had earned international recognition and the

global forum activities had shown that UNIDO was capable of meeting the challenge of the millennium. The recent Global Biotechnology Forum was one example.

41. Cuba supported the efforts of UNIDO to strengthen inter-agency relations, allowing more resources to be secured for specialized programmes in the developing countries—for example, through the joint UNIDO-WTO programme in the area of trade. It urged the strengthening of the integrated cooperation programmes, which represented one of the most important of the Organization's new initiatives.

42. Cuba supported the strengthening of energy- and environment-related activities, which had already yielded commendable results, as well as the search for new opportunities for specific projects in the developing countries. It appreciated the voluntary contributions made to such programmes by a number of countries.

43. **Ms. MUSINA** (Ukraine) said that many countries continued to be constrained by poor physical infrastructure, weak institutional capacity, a widening technology gap among nations and inadequate regulatory systems. Sustainable industrial development could make an important contribution to poverty eradication and help the developing world to overcome the ever-increasing challenges posed by integration into the rapidly changing global economy.

44. Ukraine welcomed the Organization's modernization efforts, which would enable it to use resources in a more focused and effective manner. Changes such as the promotion of cooperation with countries in transition would assist the modernization process and improve the Organization's ability to respond to new challenges.

45. As a country in transition and with widely developed industrial capacity, Ukraine attached great importance to cooperation with UNIDO as a global forum for industrial development, particularly in the light of the Ukrainian Government's efforts to integrate the country into the World Trade Organization and Ukraine's aspirations to join the European Union.

46. Ukraine was serving as a Member of the Industrial Development Board for the first time since 1991. It wished to thank UNIDO Member States and the Secretariat for helping the country to adopt a payment plan, an effective tool for resolving financial problems. It also appreciated the increased cooperation with the Organization on political and technical levels. The mutual benefit that could be derived from interaction was demonstrated by the results of the official visit to Ukraine by the Director-General in 2002 and the signing of the Framework Agreement on Cooperation for 2003-2007.

47. Ukraine also welcomed the signing of the financial and administrative framework agreement between UNIDO and the European Union. In view of its European aspirations, Ukraine was ready to participate in the relevant regional activities and fully contribute to closer collaboration between the two parties.

48. Thanks to the efforts of the Director-General, the Organization had significantly raised its profile and increased technical assistance delivery. The delegation therefore reiterated its support of UNIDO activities and wished the Organization success in its modernization and decentralization efforts.

49. **Mr. BENSELLAM** (Morocco) said that the *Annual Report 2003* gave grounds for optimism. The Organization's reforms had continued in 2003, leading to financial stability and allowing a refocusing of technical cooperation activities.

50. It was encouraging that the value of technical cooperation delivery had reached US$ 94.6 million, only half a million dollars short of the target set; that represented an increase of 16 per cent over the 2002 figure of US$ 81.8 million. The increase in technical cooperation delivery corresponded to an increase in voluntary contributions, reflecting the confidence of Member States and donor countries in the Organization. He was pleased to note the continuing focus on the least developed and low-income countries, particularly in sub-Saharan Africa. In 2003, services to low-income countries had accounted for about 70 per cent of the Organization's portfolio, compared with 48 per cent in 1996. He welcomed the various steps taken by UNIDO in 2003 to consolidate the results of the reform process, including the refinement of the UNIDO service modules and the development of a new corporate strategy, a medium-term programme framework for 2004-2007 and a consolidated research programme. However, success in the reform efforts could only be achieved by increasing interaction and coordination among the relevant United Nations system programmes and agencies through an enhanced sharing of information and experience.

51. To face the challenges posed by poverty in the world, particularly in the least developed and low-income countries, UNIDO hoped, with the support of Member States and donor countries, to increase development aid resources and draw up a new development agenda. His delegation shared the view that the Organization's success would depend to a great extent on efficiency at the level of the United Nations system.

52. The increased mobilization of resources reflected a growing interest of donor countries in the Organization and inspired hope for the implementation

of integrated programmes in developing countries. However, the mobilization of more resources could perhaps be achieved through tripartite cooperation between recipient countries, donor countries and UNIDO. Donor countries might also consider contributing untied funds to allow more coordinated programme implementation.

53. Although the support of UNIDO and development partners had permitted some tangible results to be achieved in the integrated programme for Morocco, much remained to be done to modernize the national industrial sector and strengthen its competitiveness.

54. **Mr. SCHNYDER VON WARTENSEE** (Switzerland) said that UNIDO was to be congratulated on the success of its endeavours in recent years to achieve financial stability. The increase in voluntary contributions to the Organization showed that the steps taken to better define its main strengths had borne fruit. It should continue along those lines.

55. Switzerland shared the Director-General's view that the Organization should strengthen synergies and operational coordination in the area of economic development with other international organizations. It believed that collaboration between UNIDO and WTO and UNCTAD should be strengthened. The favourable outcomes achieved, in Viet Nam, for example, in the development of synergies between a programme of the International Trade Centre (ITC) and UNIDO activities showed that close cooperation between international organizations could be more successful than isolated actions. While supporting such international cooperation, Switzerland wished to call for increased cooperation within UNIDO with a view to improving the quality of its technical assistance.

56. In the area of technical cooperation, Switzerland had assisted in the establishment of national cleaner production centres (NCPCs) in 14 countries in Latin America, North Africa and Asia. It was pleased to note that, in the case of the earliest projects, the need for international support was diminishing and that the centres concerned were becoming financially independent. His Government intended to continue supporting the activities of cleaner production centres. In the current year it would finance two new programmes, in Laos and Cambodia, and two further projects, in Romania and Egypt, were in course of preparation. In June, the eighth annual meeting of NCPC Directors would be held at Interlaken, Switzerland. That event would provide an opportunity for analysing new environmental technology solutions and for the first time enable links to be established between NCPC Directors and representatives of large retail commercial enterprises in Switzerland. NCPCs could play a crucial role in helping small and medium-sized enterprises in developing countries and countries with transition economies to market their products through major retail chains and thus assist their integration into the global economy.

57. With regard to decentralization and field representation, his delegation stressed the importance of a clear distribution of tasks between UNIDO Headquarters and the field offices in order to ensure the Organization's efficient operation and the rational implementation of technical cooperation projects. UNIDO was too small an organization to support alone a vast network of national offices. That issue should be addressed within the wider context of the reform of the United Nations system. An alliance with UNDP could provide a good solution for optimizing the Organization's field presence. However, there should be a clear distribution of tasks between UNDP and UNIDO and the reorganization should be carried out within the existing budget.

58. At the last session of the Board, Switzerland had suggested that UNIDO might wish to consider ISO 9001 certification for its own management purposes. It wished to reaffirm its interest in that connection and would be willing to undertake an initial feasibility study in close collaboration with UNIDO.

59. **Mr. KADI** (Jordan) said that Jordan welcomed the approval of five new integrated programmes and country service frameworks in 2003. While expressing its thanks to UNIDO for the integrated programme implemented in Jordan to enhance the competitiveness of local food industries and create more employment opportunities, his delegation wished to request the Organization to redouble its efforts to mobilize the financial resources required for the successful implementation of the remaining projects in the country, in particular those executed under the Montreal Protocol.

60. With regard to technology transfer and investment, UNIDO's assistance in the establishment of the Investment Promotion Unit in Jordan was appreciated. However, the gap between investment promotion and the creation of real investment remained wide. The Organization could bridge that gap by helping developing countries enhance their industrial capabilities and strengthen their human resources through the provision of training.

61. Given that the Arab countries were not included in any of UNIDO's regional initiatives aimed at promoting investment and technology transfer, his delegation wished to call upon the Organization and Arab States to initiate dialogue on that question. Jordan, which headed the Arab Investment Promotion Network launched following the last General Conference session, would be prepared to play a major role in facilitating such dialogue.

62. His delegation appreciated UNIDO's new thematic initiative concerning post-crisis rehabilitation and reconstruction, and especially its strategy to support the industrial rehabilitation and economic recovery of Iraq. Those initiatives clearly demonstrated UNIDO's commitment to helping to meet the humanitarian needs of such countries by assisting them in rebuilding their shattered industries.

63. The Organization's interest in the question of human security was welcome. Jordan commended UNIDO and the Government of Japan for their organization of a very constructive workshop on that topic in January 2004 and particularly appreciated the Director-General's announcement of his intention to create a UNIDO special facility for human security.

64. On the subject of decentralization, his delegation commended the Director-General's endeavours to improve the functioning of the Organization and strengthen inter-agency cooperation. It wished to encourage UNIDO to continue its decentralization efforts in a way that would enhance the efficiency of its activities, increase technical cooperation delivery, preserve UNIDO's identity as an independent development organization and entail no additional costs for Member States.

65. **Mr. HOSEINI** (Islamic Republic of Iran), referring to the *Annual Report 2003* (IDB.28/2 and Add.1), said that his delegation was pleased to note that UNIDO had enhanced its status as a development agency and that technical cooperation delivery for 2003 had reached US$ 96.4 million, an increase of 16 per cent compared with 2002. However, bearing in mind the special needs of the least developed countries (LDCs), particularly in Africa, and the 13 per cent decline in technical cooperation delivery for the Asia and the Pacific region for 2003, the Secretariat should look into the possibility of improving the geographical balance of technical cooperation delivery for all the regions.

66. With regard to the integrated programmes and country service frameworks, the successful implementation of those activities depended on the availability of financial resources. UNIDO should therefore increase its efforts to mobilize the necessary funds for that purpose.

67. His delegation strongly supported the Organization's thematic initiatives, in particular trade capacity-building and post-crisis rehabilitation and reconstruction, which could enhance responsiveness to the special needs of developing countries through improved access to international markets and job creation. UNIDO should not confine its activities to those relating to its role as executing agency for multilateral environmental treaties but should give similar attention to other areas identified in the 1997 Business Plan that could facilitate employment generation and contribute to poverty eradication in developing countries, including SME projects.

68. The Organization's intention to pursue initiatives in the field of information and communication technology and biotechnology was welcome. With regard to technology foresight, his delegation hoped that UNIDO would extend its operations in the Asian countries.

69. Concerning human resources management, his delegation welcomed the progress made in improving the geographical balance among the staff and called upon the Organization to continue its efforts to that end.

70. **Mr. JUAREZ** (Mexico) said that his delegation wished to reaffirm the importance that it attached to UNIDO as a specialized agency with responsibility for contributing to reducing poverty and marginalization through clean and sustainable industrial development.

71. His delegation noted with particular satisfaction from the *Annual Report 2003* (IDB.28/2 and Add.1) that the Organization's rate of implementation had increased and that its technical cooperation delivery had risen by 16 per cent. It welcomed the greater focus of the service modules on the contribution that the Organization could make to achieving the Millennium Development Goals. While his delegation was pleased to note that the provision of resources and technical cooperation had increased in some geographical areas, it felt that other areas which also urgently required UNIDO's technical assistance, such as Latin America, should not be neglected.

72. Mexico's commitment to UNIDO was evidenced by the voluntary contribution made by the Government in 2003 to the Industrial Development Fund for the execution of technical cooperation projects concerned with productivity and competitiveness.

73. The Organization should continue on the course ably set by the Director-General in fulfilment of the mandates of the Board and the General Conference, in particular in the medium-term programme framework, 2004-2007.

74. **Ms. TSOKELI** (Lesotho) said that the United Nations Millennium Declaration had set target years for Member States' attainment of some of the Millennium Development Goals. Lesotho was pleased to announce that it had introduced free primary education four years previously and was assiduously pursuing policies aimed at poverty reduction, health improvement and women's empowerment.

75. The implementation of those policies had not been without difficulties. For that reason and in order to

enhance the role that could be played by industrialization in reducing poverty, there had been a shift in the nature of Lesotho's requests for UNIDO's services. In a document entitled "Framework for developing the industrialization master plan for Lesotho", the Minister of Trade and Industry, Cooperatives and Marketing, who had attended the last session of the General Conference, had sought the Organization's expertise and advice. Her delegation hoped that UNIDO would shortly field the hoped-for mission with a view to the holding of further discussions and the formulation of the required technical inputs.

76. The extent, distribution and nature of poverty and unemployment in Lesotho had continuously worsened over the past years. A large proportion of the population lived in poverty and HIV/AIDS (human immunodeficiency virus/acquired immunodeficiency syndrome) continued to affect the productive sector of society, further exacerbating the food crisis and state of famine. Her Government appreciated the guidance which the Organization continued to give and was assured that Lesotho's efforts to tackle those problems with UNIDO's assistance would bear fruit.

77. **Mr. OEMAR** (Indonesia) said that his delegation was pleased to note from the *Annual Report 2003* (IDB.28/2 and Add.1) the positive progress achieved by the Organization, as reflected in its greater financial stability, more focused cooperation activities, improved technical cooperation delivery, increased funds mobilization activities and closer cooperation with donor countries and other international organizations.

78. With regard to technical cooperation activities, while an improvement could be seen by comparison with the figures for 2001 and 2002, his delegation noted with concern the 13 per cent decrease in technical cooperation delivery for the Asian region. The Organization and donor countries should give serious consideration to improving the geographical balance. There were many industrial development areas that still needed to be addressed in the developing countries of the Asia and the Pacific region, including Indonesia, to enable them to meet the Millennium Development Goals.

79. Poverty eradication was a serious challenge for the world at large. Poverty had contributed to today's major problems, such as transnational crime and terrorism. In order to confront the threat to international peace and stability, concrete measures should be taken, including steps to eradicate poverty in developing countries. His delegation urged UNIDO and donors to devote greater efforts to tackling that issue.

80. While an increasing number of new national projects had been agreed, their implementation, in particular in the case of Indonesia, had been slow, one of the reasons being the difficulty in securing donors' commitment.

81. His delegation noted with concern a tendency towards a shift in priority for technical cooperation to other regions, with donor countries increasingly preferring to support bilateral rather than multilateral projects. His delegation called upon UNIDO to explore ways and means of resolving the difficulties in funding its projects and urged donor countries and funding agencies to continue their financial support for the implementation of technical cooperation activities.

OUTCOME OF THE INFORMAL CONSULTATIVE GROUPS (IDB.28/6, IDB.28/7; IDB.28/CRP.6)

82. **Mr. FORNOCALDO** (Managing Director, Division of Administration), introducing the item, said that chapter I of the Director-General's report on the outcome of the informal consultative groups (IBB.28/7) gave a synopsis of the activities of the informal consultative group on voluntary contributions and UNIDO membership since its establishment in June 2003. The group had focused its attention on ways of ensuring a more stable inflow of financial resources from voluntary contributions and making them more predictable in terms of scale and regularity of donations and on increasing the level of recovery of arrears of assessed contributions and also on the type of strategy that would lead to an expansion of UNIDO's membership. The group's co-chairmen had undertaken a reconnaissance mission to the United States of America in January 2004 with a view to soliciting United States interest in reconsidering its membership in UNIDO, fostering cooperation with small island developing States and strengthening cooperation with international financial institutions. At its fourth meeting in February, the group had endorsed the outcome of the mission. The report outlined the proposed follow-up actions based on that outcome.

83. A more detailed outline of follow-up actions was contained in conference room paper IDB.28/CRP.6, which gave specific examples of cooperation already undertaken or to be undertaken, as reported by substantive units, including cooperation with non-member donor States, especially Australia and Canada, and also with the United States in connection with UNIDO initiatives concerning post-crisis industrial rehabilitation and reconstruction. The paper provided information on specific areas of cooperation with small island developing States in such fields as renewable energy, environmental management and entrepreneurship and endorsed a proposal by the group to strengthen UNIDO cooperation with the World Bank, the International Finance Corporation and the Inter-American Development Bank (IADB) despite mixed

results from previous attempts at extending funding opportunities with those institutions.

84. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, said that members of the Group had participated actively in the informal consultative groups, which he hoped would have a positive impact on the scope and direction of the Organization's work. He particularly commended the work of the group on voluntary contributions and UNIDO membership and hoped that the Organization's recent performance and financial discipline would attract new and former Members to the Organization. He encouraged the Director-General to continue his efforts in that regard.

85. The work of the informal consultative group on trade capacity-building had resulted in a considerable increase in Member States' support for activities in that area and boosted cooperation with other international organizations, in particular the World Trade Organization. The Group would welcome further statistical data confirming that trend. The co-chairmen had greatly contributed to the success of the consultative group's work. Welcoming the expressed readiness of the international financial institutions to cooperate with UNIDO, he expressed the hope that such readiness would be translated into action as soon as possible.

86. The Group had noted with interest the developments relating to Africa at the tenth session of the General Conference. It also welcomed the possibility of joint UNIDO-IADB projects in the Americas and requested the Secretariat to explore the possibility of extending such projects to other regions in the future.

87. In the area of trade capacity-building, the Group welcomed the Organization's activities and cooperation with other international organizations and encouraged UNIDO to use its unique experience to help developing countries meet internationally agreed technical standards. The Group supported all efforts to accelerate action on trade capacity-building in Africa.

88. **Mr. AREVALO** (Colombia), speaking on behalf of the Group of Latin American and Caribbean States (GRULAC), welcomed the establishment of the informal consultative groups on voluntary contributions and UNIDO membership and on trade capacity-building, as well as the new informal advisory group on decentralization, and expressed the readiness of GRULAC to cooperate in the work of the groups. Efforts to ensure predictable resources, to attract new and former Member States to the Organization and to strengthen interaction with other agencies of the United Nations system required the support of all Member States, so that the aspirations of both developed and developing countries could be fulfilled.

89. The work of the groups would particularly benefit the forthcoming summit of European Union and Latin American and Caribbean nations in Guadalajara, Mexico, where agreements to facilitate trade between the two regions would be discussed. It was to be hoped that UNIDO would take note of the outcome of the summit. Similar negotiations were under way with the United States of America and at the subregional level. GRULAC also attached great importance to the memorandum of understanding signed in September 2003 between UNIDO and WTO, which called for united efforts to build trade capacity by, inter alia, eliminating supply restrictions imposed through tariff barriers.

90. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, said that the European Union had participated actively in the informal consultative group on voluntary contributions and UNIDO membership. The Organization needed sustained and predictable funding, although account should be taken of the fact that most contributions for operational activities were of a voluntary nature. The European Union supported the Director-General's efforts to broaden the donor base and to examine innovative sources of funding, including the proposal for project funding through debt-swap agreements. The Secretariat could also consider elaborating a set of "systemic incentives" which would foster the ability of emerging donors to contribute to the Organization. It was pleasing to note that 2003 had seen the highest level of voluntary contributions by developing countries since 1997.

91. The group had carried out substantial work on examining the possibilities for increasing the Organization's membership. The European Union had noted with interest the outcome of the consultations held during the visit to the United States of America by the Ambassadors of Italy and India in January 2004 and the recommendations emanating from the visit. It would like to be kept informed of follow-up activities and encouraged the Director-General to continue his consultations with all potential and former Member States.

92. Trade-related technical assistance and capacity-building represented an important tool for integrating developing countries and countries with economies in transition into the global economy and ensuring that they benefited from globalization. The European Union had therefore followed with interest the work of the informal consultative group on trade capacity-building and looked forward to its continuing work, particularly with regard to monitoring progress in project implementation within the framework of the

memorandum of understanding between UNIDO and WTO, signed in September 2003.

93. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China, welcomed the progress made so far by the informal consultative groups and commended the efforts of the Director-General and the co-chairmen of the groups to explain the Organization's new structure and recent achievements with a view to broadening membership.

94. The Group welcomed the consultations held with the United States authorities, but was disappointed to note that the recent radical reform of UNIDO had not persuaded the United States to consider rejoining the Organization in the near future. It therefore urged the Director-General to maintain dialogue with that country and other former Member States and to encourage non-members to join. The proposals made by the co-chairmen of the consultative group should be implemented and plans for further discussions with small island developing States should be drawn up. She also welcomed the interest of UNDP in establishing a permanent arrangement for consultation and information exchange with UNIDO and the readiness of international financial institutions to cooperate with the Organization.

95. UNIDO should continue its trade capacity-building activities and cooperation with other international organizations in implementing the initiative on trade and market access facilitation. Increased technical assistance was needed in order to help developing countries meet internationally agreed technical standards.

96. Referring to General Conference resolution GC.10/Res.2, she urged the Director-General to continue consultations on how best to carry forward the process of decentralization to the field. The Group of 77 and China had participated actively in the work of the informal advisory group on decentralization and welcomed the group's recommendations. The main purpose of decentralization should be to enhance technical cooperation delivery. UNIDO should maintain its homogeneity and area of specialization within the envisaged alliance with other international organizations. New synergies would place the Organization in a better position to implement the 1997 Business Plan and the strategic guidelines "Towards improved UNIDO programme delivery". The Secretariat should further elaborate the concept of decentralization, bearing in mind that it was a multifaceted process and should involve not only UNDP but also other organizations of the United Nations system. In view of the United Nations reform process, the issue of decentralization should be addressed well ahead of time. Member States should support the Director-General's efforts to ensure that UNIDO took a lead in the reform process.

97. The Group welcomed the sharing of information by the members of the informal groups and requested further briefings as their work progressed.

98. **Mr. TOUQ** (Jordan), speaking on behalf of the Asian Group, welcomed the recent steps taken to increase voluntary contributions, broaden UNIDO membership and promote trade capacity-building. The informal consultative groups had worked actively on those areas in close consultation with Member States. The Asian Group looked forward to the implementation of the groups' recommendations.

99. Contacts with the relevant officials of the United States of America, Australia, Canada and small island developing States should be pursued with a view to encouraging those countries to join the Organization. Efforts to enhance cooperation with international financial institutions should also be maintained.

100. The Organization's expertise in building capacities with regard to conformity to technical regulations and standards should be utilized to help developing countries overcome technical barriers to trade. In that context, the Group welcomed the signing of the memorandum of understanding between UNIDO and WTO and requested the informal consultative group and the Secretariat to keep Member States informed of the progress of specific programmes in that regard.

101. The Group attached great importance to effective decentralization of the Organization's activities, as laid down in the 1997 Business Plan and the 2003 recommendations of the Joint Inspection Unit (JIU). He also drew attention to General Conference resolution GC.10/Res.10, which requested the Director-General to consider, among other things, the introduction of a rotation scheme of core Professional staff between Headquarters and the field with a view to strengthening field offices.

102. He encouraged the Secretariat to continue its efforts to improve the functioning of UNIDO and promote inter-agency cooperation so as to make the Organization's work more effective. He also welcomed the establishment and preliminary work of the informal advisory group on decentralization.

103. The Asian Group supported the Organization's endeavour to expand its presence in as many Member States as possible, as long as it did not require additional financial resources and improved the effectiveness of UNIDO activities while preserving the Organization's identity in terms of its core competencies and comparative advantages. Developing countries, especially those with ongoing UNIDO programmes, might benefit from an expanded presence of field representatives with relevant expertise.

104. UNIDO should maintain and build on its achievements in decentralization. Successful regional and country offices should be strengthened and an assessment of previous results should be carried out to provide a basis for further action. The specific needs of each country should also be taken into account. He requested the Secretariat to provide a detailed plan, including information on the financial implications and evaluations of possible options and scenarios. The Secretariat should also continue its close consultation with Member States in that regard. A phased approach using pilot and demonstration projects might help to improve chances of success in subsequent decentralization efforts.

105. **Mr. LI Shenggen** (China) welcomed the initiative taken by the Director-General in establishing the informal consultative groups. The work of the group on voluntary contributions and UNIDO membership was particularly important because securing adequate financial resources remained essential for the Organization to implement its technical cooperation projects effectively and help developing countries, especially the least developed countries, to improve their industrial capacity. It was to be hoped that the group would consolidate the work already done, strengthen its cooperation with other relevant parties, and explore and develop new resource areas so as to overcome the shortage of funds and provide developing countries with adequate funds for technical cooperation.

106. It was vital to improve the trade access capacity of developing countries in the context of promoting sustainable industrial development, alleviating poverty and achieving the Millennium Development Goals. He therefore commended the work of the informal consultative group on trade capacity-building. He also welcomed the memorandum of understanding recently concluded between UNIDO and WTO. It was to be hoped that UNIDO would put its expertise to good use to help developing countries ensure that their products met international standards.

107. Decentralization was important for achieving greater efficiency and improving the service provided to developing countries. He therefore welcomed the establishment of an informal advisory group as a first step in the long-term process of decentralization and commended the recommendations already adopted by the group. He hoped that UNIDO would further explore the possibility of cooperation with other agencies while maintaining its areas of comparative advantage and specialization.

108. **Mr. CHO Chang-Beom** (Republic of Korea) welcomed the establishment of the informal consultative groups as an effective means of enhancing transparency among Member States and providing useful recommendations to the Secretariat. It was to be hoped that similar arrangements would be used in the decision-making process on other major issues in the future.

109. He commended the activities of the group on voluntary contributions and UNIDO membership, particularly the dialogue with the United States Administration and Senate and with international financial institutions, which had helped to promote a favourable view of the Organization by highlighting its recent activities and reform process. In order to achieve the common goals of universality of UNIDO and a strengthened financial base for the Organization, former major donor countries should be induced to rejoin UNIDO and close cooperation should be maintained with the relevant international financial institutions. His delegation requested the Secretariat to devise a comprehensive medium- and long-term strategy to tackle that issue and to continue follow-up activities in close consultation with Member States.

110. Noting that trade capacity-building in developing countries had become more important than ever in the age of globalization, he expressed the hope that the Secretariat would continue to explore the possibilities for providing technical assistance to developing countries to help them overcome technical barriers to trade and facilitate their access to international markets.

111. With regard to decentralization, he welcomed the recommendations made by the informal advisory group, which would serve as a useful guideline for further discussions among Member States. He also welcomed the Secretariat's efforts to expand its field presence through inter-agency cooperation and hoped that technical cooperation delivery would improve as a result. A strategic alliance with a United Nations agency was not an end in itself but rather a means of enhancing the efficiency and productivity of the Organization.

112. **Mr. JAGADEESAN** (India) said that his delegation welcomed the work of the informal consultative groups, which were pursuing important issues in close consultation with Member States. He hoped that the groups' recommendations would be implemented effectively. His delegation had participated actively in the deliberations of the groups, besides co-chairing the group on voluntary contributions and UNIDO membership.

113. Contacts with former Member States and non-member States should be maintained and intensified in order to expand the Organization's membership and thereby increase and stabilize its financial resources. Close cooperation with international financial institutions should also be continued.

114. UNIDO should utilize its expertise in trade capacity-building to help enterprises in developing countries conform to international technical regulations

and standards and overcome technical barriers to market access. The memorandum of understanding between UNIDO and WTO should be carried forward.

115. Welcoming the Secretariat's efforts to strengthen the Organization's field presence and implement decentralization, he emphasized that that process should focus on enhancing technical cooperation delivery and build on the Organization's prior achievements. Successful regional offices should be further strengthened. In addition, possibilities for partnership with other agencies should be explored with a view to widening coverage and making the field presence as effective as possible. However, his delegation shared the concern already expressed that UNIDO should maintain its distinctive identity and preserve its core competencies.

116. **Mr. HOSSEINI** (Islamic Republic of Iran) welcomed the recent steps taken with regard to voluntary contributions, UNIDO membership and trade capacity-building. In order to implement the recommendations of the informal consultative groups effectively, it was vital to maintain contacts with non-members and former Members of UNIDO, interact more closely with international financial institutions and utilize the Organization's expertise in building trade capacities.

The meeting rose at 1.10 p.m.